

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

February 25, 2003

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

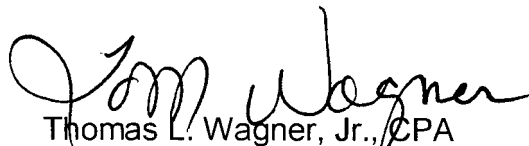
Re: AC# 3-PGV-J0 – GCI Prince George, Inc. d/b/a Prince George Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**GCI PRINCE GEORGE, INC.
D/B/A PRINCE GEORGE HEALTHCARE CENTER
GEORGETOWN, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2001
AC# 3-PGV-J0**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIOD BEGINNING OCTOBER 1, 2001	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2001 THROUGH SEPTEMBER 30, 2002	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 2000	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

November 19, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Prince George, Inc. d/b/a Prince George Healthcare Center, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of GCI Prince George, Inc. d/b/a Prince George Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

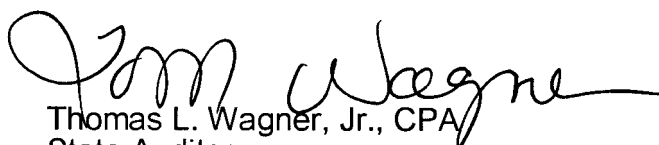
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Prince George, Inc. d/b/a Prince George Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Prince George, Inc. d/b/a Prince George Healthcare Center dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
November 19, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

PRINCE GEORGE HEALTHCARE CENTER

Computation of Rate Change
For the Contract Period
Beginning October 1, 2001
AC# 3-PGV-J0

	10/01/01- <u>09/30/02</u>
Interim Reimbursement Rate (1)	\$109.94
Adjusted Reimbursement Rate	<u>107.15</u>
Decrease in Reimbursement Rate	\$ <u><u>2.79</u></u>

(1) Interim reimbursement rate from SCDH&HS Adjustment
Transaction Letter dated February 6, 2002.

PRINCE GEORGE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2001 Through September 30, 2002
AC# 3-PGV-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$52.30	\$58.02	
Dietary		9.83	10.74	
Laundry/Housekeeping/Maintenance		<u>7.25</u>	<u>9.23</u>	
Subtotal	\$ <u>5.46</u>	69.38	77.99	\$ 69.38
Administration & Medical Records	\$ <u>-</u>	<u>12.68</u>	<u>11.47</u>	<u>11.47</u>
Subtotal		82.06	<u>\$89.46</u>	80.85
<u>Costs Not Subject to Standards:</u>				
Utilities		2.13		2.13
Special Services		1.66		1.66
Medical Supplies & Oxygen		5.31		5.31
Taxes and Insurance		2.33		2.33
Legal Fees		<u>.04</u>		<u>.04</u>
TOTAL		<u>\$93.53</u>		92.32
Inflation Factor (3.80%)				3.51
Cost of Capital				7.84
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.46
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.71)
Nurse Aide Staffing Add-On 10/01/00				<u>1.73</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$107.15</u>

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-PGV-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,745,082	\$ 64,096 (3) 1,117 (6)	\$ 1,252 (1) 64,096 (3) 14,355 (4) 10,816 (7)	\$2,719,776
Dietary	522,880	19,653 (6)	11,928 (5) 19,652 (7)	510,953
Laundry	17,430	71 (6)	933 (7)	16,568
Housekeeping	229,823	5,394 (6)	44,411 (7)	190,806
Maintenance	167,498	1,070 (4) 39,782 (6)	38,591 (7)	169,759
Administration & Medical Records	674,006	22,952 (6) 2,894 (6)	22,817 (4) 14,986 (7) 2,894 (7)	659,155
Utilities	109,991	17 (4) 26,427 (6)	25,603 (7)	110,832
Special Services	86,534	-	-	86,534
Medical Supplies & Oxygen	304,672	-	28,358 (5)	276,314
Taxes and Insurance	192,626	44,143 (6)	88,859 (2) 73 (4) 26,519 (7)	121,318

PRINCE GEORGE HEALTHCARE CARE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2000
AC# 3-PGV-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Legal Fees	1,926	75 (6)	77 (7)	1,924
Cost of Capital	371,389	35,848 (6) 48,678 (8)	12,758 (1) 33,992 (4) <u>1,354 (7)</u>	407,811
Subtotal	5,423,857	312,217	464,324	5,271,750
Ancillary	(34,931)	-	-	(34,931)
Non-Allowable	222,264	14,010 (1) 88,859 (2) 70,150 (4) 40,286 (5) <u>185,836 (7)</u>	196,423 (6) 48,678 (8)	376,304
Total Operating Expenses	<u>\$5,611,190</u>	<u>\$711,358</u>	<u>\$709,425</u>	<u>\$5,613,123</u>
Total Patient Days	<u>52,001</u>	<u>-</u>	<u>-</u>	<u>52,001</u>
Total Beds	<u>148</u>			

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-PGV-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 77,732	
	Other Equity	54,105	
	Nonallowable	14,010	
	Fixed Assets		\$131,837
	Restorative		1,252
	Cost of Capital		12,758
	To adjust fixed assets and related depreciation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
2	Nonallowable	88,859	
	Taxes and Insurance		88,859
	To adjust liability insurance expense		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
3	Restorative	64,096	
	Nursing		64,096
	To reclassify salary and related fringe benefit expense to the proper cost center		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
4	Maintenance	1,070	
	Utilities	17	
	Nonallowable	70,150	
	Nursing		14,355
	Administration		22,817
	Taxes and Insurance		73
	Cost of Capital		33,992
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-PGV-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	40,286	
	Dietary		11,928
	Medical Supplies		28,358
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
6	Restorative	1,117	
	Dietary	19,653	
	Laundry	71	
	Housekeeping	5,394	
	Maintenance	39,782	
	Administration	22,952	
	Medical Records	2,894	
	Legal	75	
	Utilities	26,427	
	Taxes and Insurance	44,143	
	Cost of Capital	35,848	
	Other Income		1,933
	Nonallowable		196,423
	To reverse Provider/DH&HS offset of beauty and barber income and DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	Nonallowable	185,836	
	Restorative		10,816
	Dietary		19,652
	Laundry		933
	Housekeeping		44,411
	Maintenance		38,591
	Administration		14,986
	Medical Records		2,894
	Legal		77
	Utilities		25,603
	Taxes and Insurance		26,519
	Cost of Capital		1,354
	To remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 2000
AC# 3-PGV-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Cost of Capital Nonallowable	48,678	48,678
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$843,195</u>	<u>\$843,195</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

PRINCE GEORGE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2000
AC# 3-PGV-J0

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3848</u>
Deemed Asset Value (Per Bed)	37,246
Number of Beds	<u>148</u>
Deemed Asset Value	5,512,408
Improvements Since 1981	358,291
Accumulated Depreciation at 9/30/00	<u>(1,067,736)</u>
Deemed Depreciated Value	4,802,963
Market Rate of Return	<u>.058</u>
Total Annual Return	278,572
Return Applicable to Non-Reimbursable Cost Centers	(2,647)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	275,925
Depreciation Expense	162,579
Amortization Expense	1,508
Capital Related Income Offsets	(30,847)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,354)</u>
Allowable Cost of Capital Expense	407,811
Total Patient Days (Minimum 96% Occupancy)	<u>52,001</u>
Cost of Capital Per Diem	\$ <u><u>7.84</u></u>

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